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## Jamaica & Dep Exporter Guide Annual 2003

**Approved by:**

David G. Salmon

U. S. Embassy Dominican Republic

**Prepared by:**

Sylburn Thomas

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**Report Highlights:**

The following is a report by the Office of Agricultural Affairs on the retail market sector in Jamaica.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Santo Domingo [DR1]  
[JM]

## MARKET OVERVIEW

### Economy

Following four consecutive years of contraction (1996-1999), the Jamaican economy expanded by 0.7 percent during 2000, and by a further 1.7 and 1.0 percent during 2001 and 2002. The Central Bank has projected modest economic growth between 2.0 to 4.0 percent per year over the next three years. The performance of the economy during 2001 and 2002 was particularly restricted by the September 11<sup>th</sup> terrorist attacks in the United States, which acutely affected tourist arrivals to Jamaica.

Jamaica's economic performance is not symmetric across sectors. The structural shift in the economy from the productive to the services sector which began in the 1980's (in response to trade liberalization) and continued through the 1990's, has pushed services, particularly telecommunication, tourism, and transportation and storage to the helm of Jamaica's economic activities. Over the past decade, the services sector has expanded by an average 3.5 percent per year and its contribution to GDP increased from 62 to 85 percent. In contrast, output from the goods-producing sector has declined consistently since 1996, except for the marginal 2.4 percent growth during 2001. This asymmetric pattern of economic expansion should strengthen over the medium-term as public and private policies support a "new" service economy.

### Fiscal Deficit

Jamaica continues to be plagued by a huge fiscal deficit, which is underpinned by mounting debt servicing. The stock of debt (domestic and international) has almost doubled over a four-year period, moving from US\$6.5 billion (101 percent of GDP) at the end of 1998 to US\$11.4 billion (149 percent of GDP) at the end of 2002. Despite rescheduling the maturity of some debts, approximately 62.5 percent of the national budget has to be committed to debt repayment. During fiscal year 2002/03 Jamaica's fiscal deficit climbed to 7.7 percent of GDP. To achieve its target of reducing the fiscal deficit and attain a balanced budget by 2005/06, the Government of Jamaica (GOJ) has implemented one of the highest tax packages in the country's history. Almost 60 percent of the new tax package is expected to come from General Consumption Tax. The increased taxation and creeping devaluation of the Jamaica dollar could lead to double-digit inflation during 2003/04.

### Interest Rates

High interest rates in the late 1990's (as high as 40 – 50%) contributed to the failure or poor performance of many businesses. Commercial and inter-bank interest rates have fallen since 2000, but to protect, an apparently overvalued exchange rate, the GOJ has still maintained a high interest rate policy. The current average interest (Treasury bill) rate of 24.42 percent is still very high when compared to prevailing interest rates in other emerging economies. Central Bank activities in the foreign exchange market and the use of approximately US\$13 million of the Net Internal Reserves (NIR) to meet GOJ's debt obligations, has seen the stock of NIR declining from 1.9 billion in April 2002 to 1.3 billion in April 2003.

## Income Disparity

Wealth disparity in Jamaica has fostered the presence of distinct social groups within the society, dictating different norms in communication, social appreciation and consumption pattern among strata. The mean per capita annual consumption expenditure of the wealthiest 10 percent of the population is 12.5 times that of the poorest 10 percent. Further, 37 percent of the total consumption expenditure of the wealthiest one-fifth of the population is spent on food and beverages, translating into a market of approximately US\$735 million.

## Employment and Demography.

Over the last three years, Jamaica's unemployment rate remains stable at 15.5 percent. The GOJ's efforts to curb unemployment continue to be frustrated by retrenchment and closures as businesses retool and reposition in light of global competition. While the percent of women in the employed labor force has remained relatively stable over the last decade (fluctuating with the narrow range of 41 to 43 percent), the proportion of women employed in professional/ managerial occupations has grown astronomically. This has helped to change household demographics and lifestyle patterns, particularly in the large middle-income stratum of the society.

Mean household size has declined over the last five years with more than 42 percent of households having one or two persons. Noticeably, 66 percent of households in the wealthiest one-fifth of the population have one or two members. Jamaica's population of 2.6 million people is relatively young, with approximately 66 percent below 35 years of age, and more than 51 percent below 30 years of age.

## Consumption

Real per capita consumption expenditure in Jamaica has trended upward over last five years, increasing by 8.6 percent during 2001. Food consumption has increased by an average 7.6 percent per years over the same period, notwithstanding a steady decline in its relative contribution to total consumption expenditure from 54.1 percent during 1996 to 43.5 during 2001. Despite projected modest economic growth and increase in remittances, mean per capita consumption expenditure, which currently stands at US\$1,785, could decrease during 2003 depending on the consumption effects of the GOJ's tax policy. Collectively, the 2.6 million residents and 2.2 million tourists per year generate an annual demand for food and beverage of approximately US\$4.3 billion. The pattern of food consumption has remained relatively stable over the last three years with meals-away-from-home accounting for the largest proportion of total food consumption (27%), followed by meat, poultry and fish (22.5%), cereal and cereal products (11.6%), fruits and vegetables, including juices (9.6%) and dairy products (8.8%).

## External Trade Overview

Jamaica's visible trade deficit widens to US\$1.3 billion (22 percent of GDP) during 2002. During the year, exports declined by US\$142.7 million to US\$1 billion while imports increased by US\$38.4 million to US\$2.3 billion. Despite the central bank's strict demand management initiatives, consumer goods continue to account for an increasing proportion of total imports, moving from 25 percent during 1996 to over 30 percent of total imports during 2002. Food imports, which accounts for the largest proportion of consumer goods imports, increased by

US\$20.1 million during 2002, mainly due to increases in imports of meats and cereals. Based on UN Trade data, Jamaica's import of consumer-oriented foods is not expected to change significantly during 2003.

Jamaica's total import of agriculture, fish and forestry products grew by a modest 4 percent during 2001 to US\$585 million. The most noticeable increases were dairy products and bird eggs (23%), fish crustaceans and Mollusks (16%), cereals and cereal preparations (2%), vegetables and fruits (3%), beverages (19%). Food for manufacturing grew by 10 percent to US\$265 million, particularly influenced by the surge in imports of powdered milk, cheese, soybean crude oil and refined sugar.

The major suppliers of agricultural products to Jamaica are the United States, United Kingdom, Canada, New Zealand, Guyana and Trinidad and Tobago. The United States is the primary supplier of food products to Jamaica, accounting for approximately 48 to 50 percent of total imports. U.S. exports of agricultural products (excluding forestry) to Jamaica increased marginally during 2002, from US\$181 million to US\$185 million. U.S. exports of consumer-oriented products increased slightly to an all-time high of US\$77 million during 2002. Most individual consumer-oriented products increased to historic levels, viz: snack foods, breakfast cereals, red meats, egg products, fruits and vegetable juices, dairy products, and fruit and vegetable juices.

Under duty-free access, total exports of food and beverages from CARICOM to Jamaica continue to increase. Guyana and Trinidad and Tobago are Jamaica's major CARICOM trading partners. Major imports from CARICOM include rice and fish from Guyana and cereals and cereal preparations, snack foods, cocoa products, soft drinks, nuts, margarine and fish from Trinidad and Tobago. Total food, beverages and tobacco imported from CARICOM rose by 6.7 during 2001 to US\$103.1 million.

### **Opportunities**

Despite the weak economy, prospects for sales of US food products are still attractive. Key food product categories that are growing are fish, beverages (particularly fruit juices), vegetable oils, dairy products, fresh fruit and vegetables, wines, confectionery and snacks, and general grocery products. In addition to the very active food retail sector, the hotels and restaurants (fast food franchises) segment present excellent marketing opportunities for consumer-oriented products.

Jamaica's persistent income disparity and associated social stratification have created a lucrative and sustainable market for high-value consumer-oriented products. Private and public policies do not adequately address social integration and as such these segments are expected to be relatively permanent. On the other hand, the relatively lower purchasing power of a significant proportion of Jamaica's population provides an opportunity for the sale of low priced, generic, (unbranded), bulk packaged food products such as; rice, wheat and derivatives, meats, cereals, canned and dried/preserved fish, powdered dairy products and nutritionally enhanced foods.

The low productivity of the good sector and increasing service orientation of the economy means Jamaica will fulfill an increasing proportion of its goods demand from imports. In addition to the general demand arising from the structural changes, the Jamaican consumers have developed a preference for North American products, lifestyle and cultural values.

Generally, in the middle and upper-income strata, there is a decline in household sizes, and greater emphasis on recreation/ leisure, convenience and health. This has helped to influence the demand for convenience products, meals-away-from-home and various types of health foods. The relative youthfulness of the population has also influenced the adoption of North American values and lifestyle in Jamaica.

### Summary of Opportunities and Challenges for U.S. Food Products

<b>Advantages of U.S. Food Products</b>	<b>Disadvantages / Challenges</b>
<p>U.S. products benefit in the local market from advertisement on cable TV.</p> <p>Jamaicans, particularly in the younger age groups, have a strong affinity to U.S. cultural values and lifestyle.</p> <p>Reliability of production and distribution of U.S. products.</p> <p>Quality image and acceptance of U.S. food products in Jamaica.</p> <p>Geographic proximity of Jamaica to the U.S. benefits ultimate end prices of U.S. products vis-à-vis Asian and European Imports.</p> <p>Increasing proportion of U.S. tourist to Jamaica benefits U.S. products in the HRI sector.</p> <p>Dominance of U.S. fast Food franchise replicates U.S. consumption patterns in Jamaica.</p> <p>Increased emphasis on the service sector and reduced competitiveness of domestic goods favor imports.</p>	<p>Relatively high tariffs on products that compete with local production.</p> <p>High unemployment and government taxes affect consumption.</p> <p>Substantially lower tariff for competing products that originate within CARICOM.</p> <p>Sanitary / phytosanitary barriers on specific imported products.</p> <p>Increased price competition from cheap labor market, e.g. Far East and Central America.</p> <p>Inadequate cold storage facilities and indiscriminate handling of perishable products at the port of entry.</p>

## EXPORTER BUSINESS TIPS

Jamaica has a very long and mutually beneficial trading relationship with the United States. Many U.S. brands are household names in Jamaica.

### **Distribution / Representation**

Most U.S. manufacturers/suppliers market their products through distributors/manufacturers representatives, or recently, sell directly to large supermarket and hotel chains. In the majority of cases, distributors are exclusive agents of the U.S. brand that they represent.

Distributors/Importers normally import, clear, and deliver goods nationally. Typically, importers operate on credit terms ranging from 30 – 45 days date of invoice. It is not unusual for importers to request 60 days credit. Credit terms to the Retail/Wholesale sector range from 15 – 30 days officially but in reality are 30 – 60 days. Credit terms to hotels in most cases exceed 30 days.

### **Margins on food products:**

Margins in the distributive sectors are as follows:

Distributor:	10 – 20% mark-up on landed warehouse cost
Wholesaler:	10 – 15% on distributor selling price
Retailer:	25 – 30% markup on distributor price

Margins are currently under pressure due to the fiercely competitive environment in the retail market. With consumers becoming more price conscious, retailers importing an increasing proportion of inventory, and wholesalers targeting the retail segment, margins along the distribution channel will decrease.

### **Advertising/ Promotion**

Costs of promoting imported products are usually paid for by the brand owner or supplier, either fully or shared with distributors in accordance to terms of agreement. It is particularly important that suppliers provide technical and promotional support during the launch, introduction and early growth stage of their brands. Exclusive distributorship is common, and, in a market with a fairly large number of new products, brand retention depends on its relative strength in the product portfolio.

### **Consumer Tastes**

The proliferation and success of a large number of U.S. fast food franchises in Jamaica truly reflect the overwhelming acceptance and preference for U.S. products among Jamaica consumers. This preference has emerged over decades of vacation and business travel, Jamaicans studying in the U.S., returning or vacationing U.S. residents, immigrants from Jamaica, the awareness of U.S. products advertised on Cable TV and the Internet, and a general entrenched perception of U.S. quality standards.

## **Customs duties**

As a member of the Caribbean Community, Jamaica applies a Common External Tariff (CET) on all extra-regional products. Customs duties on food products range from 0 –100% on CIF values. In specific cases there are Additional Stamp Duties (ASD) up to 80 percent on “sensitive” products that competes with domestic production. A 15 percent General Consumption Tax is applied to most products, both domestic and imports, and certain products, such as alcoholic beverages and tobacco products attract one or a combination of Special Consumption Taxes. Individual taxes are compounded to derive aggregate import duty. Consistent with the government’s pro-manufacturing thrust, products that are classified as raw materials are exempted from import duties.

Under the amended Customs Act, Jamaica has adopted WTO-prescribed valuation methods and has also, as part of the modernization process, modified its structure and information system to improve efficiency, accuracy, and transparency. Import duties are now levied on the transnational cost of a product rather than on values arbitrarily determine by the Customs Department. However, due to deliberate under invoicing by importers and exporters to evade customs duties, Jamaica Customs Department still depends on valuation based on “identical” and “similar” products in suspected cases. The “deductive” and “fall-back” methods of valuation have not yet been employed.

## **Inspection of Imports**

One of the primary objectives of the GOJ’s food safety and inspection policy is to establish a single food safety and inspection agency by 2005. As the system presently stands, several agencies are involved in the inspection process. The Ministry of Agriculture (Plant Quarantine Division) is responsible for inspecting all imported fruits, vegetables, plants and plant-parts. The Ministry of Health and the Veterinary Services Division inspect all imported meat products and by-products. Bulk agricultural products are inspected primarily by the Food Storage and Prevention of Infestation Division. The Bureau of Standards inspects processed and packaged products at the ports of entry, and at the retail level in accordance with the Standards, Process Foods and Weight and Measurements Acts. Coordination difficulties among the several regulatory agencies can severely compromise the quality of perishable food products.

## **Clearance/Costs**

All costs for clearing products at the port of entry are incurred by the importer. These include container fees, storage, demurrage, haulage, etc, which contribute to part of the total cost in their pricing structure.

## **Import Permit and Inspection of Products**

All food products exported to Jamaica must be accompanied by a supplier’s invoice showing value (cif/fob), quantity, etc. Most categories of food products can be imported freely into Jamaica. However, an import permit is required from the appropriate government agency in cases where there is a threat to human, domestic animal or plant health. All fresh fruits and vegetables, plants and plant-parts must be accompanied by an import permit from the Plant Quarantine



Division. Meats, dairy products and highly processed products that contain animal ingredients must be accompanied by a local veterinary import permit and an export certificate issued by the competent authority of the exporting country. In the case of highly processed products, a certificate from an authorized state or county agency, which speaks unambiguously to safety and wholeness of a product, would constitute an appropriate export certificate. A special permit is also required for products that are monitored by a domestic commodity board, such as vegetable oils and cocoa.

### **Fod Standards/Regulations**

Under the Standards Act, Jamaica has established standards for over 34 specific categories of foods, governing processing, labeling and packaging. Where national standards do not exist, the Bureau of Standards adopts appropriate language developed by the Codex Alimentarius Commission. Guide lines developed by the Codex Committees on Food Labeling (CCFL) and Food Hygiene (CCFH) are used to inform Jamaica's standards governing the food processing industry. Specific standards are available from the Bureau.

The Bureau of Standards does not recognize the United States' conventional "mm/dd/yy" or the Julian date format for the purpose of trade and commerce in Jamaica. Manufactured, expiry and other date marks must conform to the traditional European "dd/mm/yy", the ISO's "yy/mm/dd" or full (May 2, 2003) or partial (Apr. 2, 2003) text. Jamaica has not yet developed any definitive standards to regulate Genetically Modified and Living Modified Organisms, but present discussions are skewed towards adopting mandatory labeling and other regulations consistent with the obligations of the Cartagena Protocol on Biosafety.

## **SECTION III – MARKET SECTORS AND TREND**

The following comments seek to address the various sub-sectors in the Food Sector in respect of size, growth, trends, development, promotional / marketing strategy and threats and opportunities for the US supplier, new and existing.

### **Food Retail Sector**

#### **Structure**

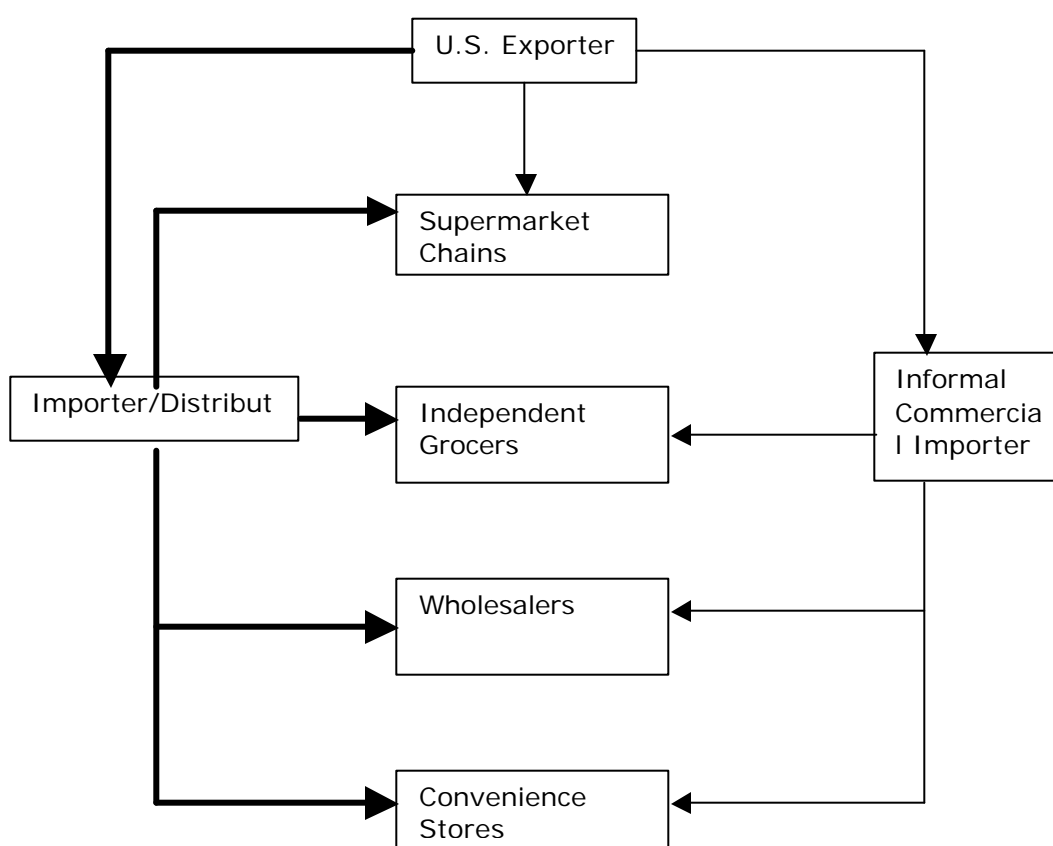
Businesses within the food retail sub-sector are differentiated on the bases of service, quality, price and convenience (time and location), giving rise to a retail sector structurally composed of; upscale, conventional and convenience supermarkets, wholesalers, informal commercial importers, farm markets (green grocers) and, recently, convenience stores (mini- marts). Upscale supermarkets, which flourish on Jamaica's income disparity, are very few in numbers, carry an appealing array of high quality, specialty products and offer outstanding customer services. They target middle to high-income consumers who are less price sensitive, but are motivated by service and/or perceived social status.

At the other extreme, conventional supermarkets target the general public and are positioned almost exclusively on the basis of price. Basic food items are low priced to attract consumers while margins are disguised on other products to compensate. This is the most competitive



segment of the retail food market. The two largest and rival conventional supermarket chains, SuperPlus and HiLo Food Stores, extensively advertise discount coupons in the print media, a strategy apparently aimed at undercutting prices and expanding / retaining customer base. Convenience supermarkets rely on location as their primary strength. They showcase the best perishable products and provide fast friendly services.

Recently, there is an escalation in convenience stores (mini-marts) in Jamaica, providing consumer convenience by virtue of their locations and times of operation. Mini-marts are typically located along high ways, in or close proximity to service stations or close to middle-class residential settlements. They stock a wide variety of snack foods, confectionery, juices / drinks and dairy products. Those located at service stations usually operate on a 24 hours basis.



*Figure 1: Structure of the Retail Food Sector*

## **Performance**

In terms of contribution to GDP, distribution is the single largest sector in the economy, accounting for approximately 20 percent of GDP during 2002. Over the past decade, the contribution of the distributive sector to GDP has expanded by 2.3 percent, reflecting the strong growth in the sector following accelerated trade liberalization of the Jamaican economy through the 1990's. The distributive sector continued robust performance during 2002 with overall sales expanding in real terms for the third consecutive year. The 8.3 percent expansion in food and beverage sales during 2001 was largely due to expansion by the major supermarket chains. Further growth in personal consumer credit and remittances has, and will continue, to boost consumption expenditure in the distributive sector. The Food, Beverage and Tobacco sub-sector represents one-fifth of firms in the distributive sector and accounts for the largest proportion of sales, approximately 47 percent of total sales during 2002.

## **Size**

There are approximately 1,642 firms in the Food and Beverage sub-sector, comprising of 1,486 retail and 162 wholesale operations. This represents a 7 percent and 11 percent decline in the number of retail and wholesale operations resulting from widespread retrenchment and consolidation in the sub-sector. Total sales from the Food and Beverage sub-sector amounted to approximately US\$768 million during 2002.

## **Growth**

Sales in the food retail sub-sector were not evenly distributed across retail and wholesale outlet during 2002. Following the 4.9 percent decline in 2001, sales by food wholesalers rebounded during 2002 with a 7.9 percent expansion. Conversely, sales by retailers declined by 8.5 percent, completely reversing the 8.3 percent growth during 2001. The characteristic strong negative correlation between wholesale and retail sales is in part explained by the influence of short-term reactive marketing tactics by wholesalers and retailers. This pattern is expected to persist as wholesalers target the retail segment, offering products at lower margins to end consumers, and retailers offering volume purchases at wholesale prices. Further, several wholesalers have implemented electronic payment systems which have removed one distinct advantage from retailers. However, service differentiation, which is rapidly gaining importance in conventional supermarkets, will continue to favor supermarket sales.

## **Industry Trends**

The three fastest growing trends in the Jamaican retail food sector are the direct importation of products by retailers, the targeting of the retail segment by wholesalers, and increasing use of information technology as a competitive tool. Changes in the domestic economy such as liberalization, the maintenance of a relatively stable exchange rate and domestic supply shocks have resulted in many firms in the food retail sub-sector increasing the import content of their business, including; fresh fruits and vegetables, meats and processed products. Domestic supply shocks in particular have diverted retailers' interest to imported food products to secure against supply uncertainty. Under depressed economic climate, retailers have started aggressive direct importation of products to avoid distributor's margin and offer more prices competitive products in an increasingly price sensitive Jamaican retail market. To protect market share, wholesalers have started targeting the retail segment, blurring the distinction between retail and wholesale operations.

Advances in information technology set the stage for e-commerce (inventory procurement and sales) in the retail market. As a strategy to capture a share of the lucrative remittance service, while simultaneously entering new segments with minimal capital outlays, large supermarket chains are establishing online stores that are targeted at Jamaicans living in the U.S. Such facility provides the convenience for consumers (Jamaicans) in the U.S. to purchase products for delivery to households in Jamaica. Products are extensively advertised on websites of local media and advertising agents. Electronic payment and inventory management/control systems are typical features of Jamaican supermarkets. With most supermarkets operating fully electronic inventory control/management system, it is inevitable that, in the near future, supermarkets will implement automatic electronic reordering (procurement) systems. In this environment, relationship market, inventory management and marketing efficiency will become substantial differentiating variables. Other trends are: the inclusion of Strategic Business Units (e.g. deli, restaurants and pharmacy) in large conventional supermarkets; expansion of larger supermarket chains into rural areas to expand market coverage; alliance of domestic supermarkets with foreign retail chains (e.g. TESCO a U.K. based retail chain); major supermarket chains are engaging in exclusive distributorship arrangements; local supermarkets are merging to increase efficiency and competitiveness.

## **Opportunities**

The relatively modern Jamaican retail sector, with several well-established conventional and upscale supermarkets, is equipped to carry an appealing array of fresh, frozen and specialty food products. The healthy competitive environment of Jamaica's retail sector provides an opportunity for U.S. distributors to form strategic alliances with Jamaican retail chains. Also, where there are no contractual restrictions, U.S. companies can sell directly to large supermarket chains. Medium-sized U.S. firms with the flexibility and international interest can benefit significantly from supplying private labeled products to Jamaican supermarkets. The robust performance of the retail food sector over the last five years signals increasing consumer demands for imported products. While general food and beverage demand increases, U.S. companies can concentrate their marketing effort on building selective demand for specific brands. Since supermarkets are targeting the Jamaican community in the U.S., this segment forms an appropriate test market for U.S. products that will be exported to Jamaica. The introduction of independent Strategic

Business Units in supermarkets creates an opportunity for the sale of specialty, health and convenience products.

### SECTION III – MARKET SECTORS AND TRENDS

#### **Hotel Restaurant and Institutions (HRI) Sector**

As the goods producing sector of the Jamaican economy languished under changing international trading environment, the services sector, and particularly, the tourism industry, will remain the impetus to Jamaica's economic growth.

#### **Size**

The HRI sector, influenced almost entirely by the hotel industry, fueled Jamaica's economic growth over the last three years. Total hotel rooms during 2000 were 16,100, with all inclusive and regular ("non all-inclusive") hotels accounting for 56 and 44 percent, respectively. Since the late 1990's, all-inclusive hotels have outstripped regular properties by an average annual 4.25 percent growth rate compared to 2.3 percent. The planned entry of another Spanish chain and the completion of expansion by RIU Hotel will significantly expand the total stock of hotel rooms. Total room capacity is projected to expand by a further 4 percent during 2002. Hotels are mostly located along the North coast, from Negril (West) to Port Antonio (East), including, Montego Bay, Ocho Rios and their environs.

#### **Growth**

Jamaica's tourism market has made steady recovery from the fallouts resulting from September 11, 2001 terrorist attacks in the United States. During 2002, tourist arrivals were only 4.5 percent below the per-September 11<sup>th</sup> figures. Total arrivals for January to June 2003 increased by a massive 19 percent to 1,507,772, the highest arrivals recorded in the first seven months of any year. If this trend continues as expected, Jamaica will record historic visitor arrivals during 2003. Cruise ship passenger arrivals far outstripped stop-over visitors, with the former expanding by an impressive 38.1 percent, while the latter, which accounts for approximately 90 percent of tourist revenues, struggles below its pre-September 11<sup>th</sup> figures. Stopover arrivals increased by 6.6 percent for the first seven months of 2003, but arrivals are still 0.1 and 2.1 percent below the result for 2000 and 2001, respectively. This pattern of increase has implications for food consumption in the HRI sector as cruise ship passengers tend to spend a very small proportion of expenditure on food and beverages. However, prudent marketing efforts aimed at converting cruise ship passengers to stopover visitors will, if successful, have longer-term effects on revenues and consumption in the HRI sector.

The U.S. accounts for the largest proportion of tourist to Jamaica, approximately 73 percent of total arrivals during 2002. Canadian and British tourists collectively account for 18.3 percent of total arrivals. The entry / expansion of Spanish hotel chains into Jamaica will help to diversify source markets, as well as the domestic tourism product.

With average length of stay of 10.2 nights, average nightly stopover expenditure of US\$98.10 per capita, and average daily cruise ship passenger expenditure of US\$ 80.6 per person, total food

expenditure in Jamaica's tourism market is estimated at US\$85 million per year. The inclination of U.S. visitors to purchase food items with which they are accustomed, has skewed approximately US\$62 million of Jamaica's total tourist expenditure towards the purchase of U.S. food products.

### **Industry Trend**

The three major changes in the structure of the HRI sector – the increasing direct importation by larger hotels, increased proportion of all-inclusive hotels in the total hotel stock, and the increased emphasis on environmental/eco-tourism – result from three major factors:

1. Market liberalization and increasing price competition from all-inclusive hotels.
2. The continuous aggressive expansion, promotion and positioning of the all/super inclusive concept by Jamaica's two largest hotel chains, and the increasing demand for these products/services by North American visitors.
3. The introduction of Green Globe Certification as a strategic marketing tool.

(See *Jamaica Hotel Restaurant and Institution Report, 2002* at [www.fas.usda.gov](http://www.fas.usda.gov))

### **Opportunity**

The HRI sector provides the best growth potential for the sale of U.S. high-end products in Jamaica, including wines, cheeses, meats, fruits, juices, vegetables, seafood, sauces, salad dressings, French fries, alcoholic beverages, breakfast cereals, and dairy products. In addition, since Jamaica's tourism is almost exclusively marketed in the United States, U.S. visitors will remain the largest proportion of tourist arrivals to Jamaica. This trend will continue to influence HRI demand in favor of U.S. products. However, if U.S. products are to exploit their inherent advantage in the tourism sector, they must be competitively priced to match lower priced imports, particularly from Europe, Canada and Chile. With large all-inclusive chains having their own procurement departments, there is a window of opportunity to sell directly to these chains, develop long-term relationships and take advantage of their Caribbean-wide network.

### **Fast Food Sector**

Fast food franchises, which account for the largest proportion of sales in the restaurant segment of the HRI market is an attractive market for certain consumer-oriented products. The tendency for Jamaicans to have meals away from home is associated with the proliferation of U.S. fast food franchises across the country, the growth in single occupancy households, increasing number of mature students, and the over all influence of North American culture.

### **Size**

Fast food restaurants account for an estimated 48 percent of total expenditure on meals-away-from-home, amounting to US\$263 million during 2001. For some U.S. franchises, demand customarily exceeds supply during peak hours, limiting the availability of certain augmented services such as home delivery. In Jamaica, fast food restaurants, with relatively less expensive products, provide a convenient and cost effective alternative to certain types of traditional restaurants. The continuous annual increase in the proportion of expenditure on meals-away-from-home up to 2000, and the subsequent plateau at 27 percent over 2001 and 2002, has been

interpreted as a maturing of the fast food market in certain segments. However, it is a general belief that there is significant unmet demand in certain geographic areas, particularly the North-central and Northeast provinces.

Over the last five years more than 30 restaurants have being added to the total stock of fast food restaurants in Jamaica, and a further ten restaurants are expected to be added within the next two years. U.S. fast food franchises are well represented in Jamaica, including: Wendy's, Burger King, Kenny Rogers, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza, Churches Chicken, Subway and McDonald's. One of the most successful local fast food chains, Island Grill, has experienced enormous success and expansion. Other local brands have recently entered the market and are capturing market share by virtue of their delivery services. Most U.S. franchises have modified their menu to meet Jamaican consumers' taste preferences.

While mid-level restaurants are losing market share to fast food franchises, the few fine dining restaurants thrives on the country's income disparity and the social stratification.

### **Food Processing Sector**

Over the past decade, the manufacturing sector, including food processing, has declined both in output and contribution to GDP. Despite continuous retooling and modernization, output from manufacturing grew by a mere 0.9 and 2.4 percent during 2000 and 2001, the only years of positive growth since 1994. All sub-categories of food processing, except rum and alcohol, carbonated beverages, and poultry meat, contracted significantly during 2002. The overvalued exchange rate, low labor productivity, high interest rates, domestic labor laws and increasing international competition will continue to impact negatively on the manufacturing sector.

Alcoholic and non-alcoholic beverages and poultry meat are the most promising food processing activities in Jamaica. Output of manufactured goods will remain low over the short to medium-term.

### **Industry Trend**

The Food Processing (beverages and poultry) sub-sector is the major contributors to growth in the manufacturing sector. There is extensive production retooling, expansion and competitive pressures in the Alcoholic and Non-alcoholic Beverage sub-sector. New companies are entering the segment, and established companies are trimming product lines and specializing in specific established brands. Exclusive distributorship is the norm in this sub-sector. Many companies that specialized in primary production or value addition are integrating along the value chain to enhance efficiency and competitiveness. This is especially evident in poultry, bananas and its derivatives, non-traditional fruits and condiments. There is extensive research in new product development by academic, public and private institutions to support the strategic development of the lackluster manufacturing sector. The smaller, less efficient processors are exiting the industry.

The low productive capacity of the manufacturing sector means goods consumption will have to be fulfilled from imports. There is excellent opportunity for the sale of U.S. food products in Jamaica, including: natural juices, canned vegetables, fruits, snack foods and general grocery

products. Output of primary agricultural products are limited and characterized by alternating periods of shortages and gluts.

#### **SECTION IV – BEST HIGH VALUE PRODUCT PROSPECTS**

In the Jamaican hotel/restaurant and retail markets there is high demand for wines, lamb, seafood (fish, lobster, shrimp), special cut beef and veal, pork products, pasta, nuts, cheeses, French fries, potatoes, bakery products, sauces, vegetables and fruits (apples, grapes, peaches, pears, etc.). Hotels are targeting particular groups that will create seasonal demand for certain products, such as kosher. General grocery products and fruits and vegetables can be targeted at the retail market

The following is a list of products with the best potential for sale in the Jamaican market.

- Fresh, processed and frozen vegetables
- Meats, including poultry, beef and lamb.
- Breakfast Cereals
- Wines and other alcoholic beverages:
- Seafood
- Snack foods, including dried nuts and fruits
- Dairy products, including yogurt, ice cream, cheeses, non-fat dried milk
- Table potatoes and French fries
- Fresh fruits and vegetables
- Fruit and vegetable juices and drinks
- Confectionery products, including chocolate
- Soy drinks and other soy derivatives
- Meal supplements
- Health foods.
- General grocery products, including bakery products.



**KEY CONTACTS**

The Jamaica Manufacturers Association  
(JMA)  
85A Duke Street  
Kingston  
Tele: 922-8869, 922-0419  
Fax: 922-9205

Custom Brokers Association of Jamaica  
14 First Street  
Kingston 13  
Tele: 923 -4665, 901 - 8783, 901 - 7405  
Fax: 901 - 7405

The Shipping Association of Jamaica  
4 Fourth Avenue  
Newport West  
Kingston 13  
Tele: 937-0117, 901-7585, 937-6109, 901-  
9784  
Fax: 923-3421  
E-mail - [databankaparke@cwjamaica.com](mailto:databankaparke@cwjamaica.com)

Ministry of Commerce and Technology  
36 Trafalgar Road  
Kingston 10  
PCJ Building  
Tele: 929-8990, 929 - 8991-9  
Fax: 960-1623, 929-8103  
E-mail: [www.met.gov.jm](http://www.met.gov.jm)

Jamaica Promotion Corporation  
(JAMPRO)  
35 Trafalgar Road  
Kingston 5  
Tele: 929-9450, 929-2870-1, 1-888-991-  
2121  
Fax: 960-8082  
E-mail: [jampro@investment.com](mailto:jampro@investment.com)

American Chamber of Commerce  
77 Knutsford Boulevard  
Kingston 5  
C/o Hilton Hotel  
Suite 112  
Tele: 929-7866, 920-0751-2  
Fax: 929-8597  
E-mail: [amcham@cwjamaica.com](mailto:amcham@cwjamaica.com)

Imports And Distributors Association  
(Jamaica)  
C/o Paul Bourke  
385 Spanish Town Road  
Kingston 11  
Tele: 901-2564  
Fax: 923 - 8903

The Ministry of Health  
2 Kings Street  
Kingston (Head Office)  
10 Caledonia Avenue  
Kingston 5  
Tele: 967- 100-1, 920-9914-5  
Fax: 967-1303

Ministry of Agriculture  
Hope Gardens  
Kingston 6  
Tele: 927-1731, 927-1733  
Fax: 977-1875

The Private Sector Organization of Jamaica  
(PSOJ)  
39 Old Hope Road  
Kingston 10  
Tele: 927-6238, 927-6957, 927-6958  
Fax: 927-5137  
Email: [psoj@cwjamaica.com](mailto:psoj@cwjamaica.com)

Jamaica Bureau of Standards (BOS)  
6 Winchester Road  
Kingston 10  
Tele: 926-3140, 929-0267, 926-0229, 929-  
0275, 929-0281  
Fax: 960-1623, 929-8103  
E-mail: [jbs@cwjamaica.com](mailto:jbs@cwjamaica.com)

Jamaica (Trade Board Ltd.)  
107 Constant Spring Road  
Kingston 10  
Tele: 969-0883  
Fax: 925-6513

Jamaica Chamber of Commerce  
7 East Parade  
Kingston  
Tele: 922-0150, 967-0298  
Fax: 924-9056  
E-mail: [jamchan@cwjamaica.com](mailto:jamchan@cwjamaica.com)

## APPENDIX I STATISTIC DEMOGRAPHIC INFORMATION

Total Population / Annual Growth Rate	2.6 million
Urban Population / Annual Growth Rate	1129200 / 0.63
Number of Major Metropolitan Areas	N/A
Size of Middle Class (millions) / Growth Rate (%)	770000/1% p.a
Per Capita Gross Domestic Product	2,646
Unemployment Rate	15.5%
Per Capita Food Expenditure (US\$)	844
Percent female population employed	78
Exchange Rate	J\$59.35 = US\$1.00

Source of data: Statistical Institute of Jamaica (STATIN), Planning Institute of Jamaica (PIOJ) and Bank of Jamaica.